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EVILS OF THE TARIFF SYSTEM.

THERE is no one subject in respect to which all thoughtful men are at present more anxious and perplexed than the extraordinary and prolonged industrial and financial depression and disturbance of the country, and the outlook for what is to be in the future. It is proposed, in the limited space here allowed, to ask the consideration mainly of a single point, namely, the connection between what has happened and is likely to happen, and our existing tariff policy; or the extent to which speedy and radical, but at the same time judicious, tariff reforms are essential to continued national prosperity and national development.

To the head of one of the largest manufacturing establishments (not textile) in the country, who was recently complaining of business depression, no profits, and an apparent necessity for a speedy suspension of his operations (which last has since occurred), the following question put by the writer, "When do you expect better times?" promptly elicited the following reply: "Not until I can sell at a reasonable profit what I have the capacity and the desire to manufacture. In default of this, I cannot expect to earn interest on my investments (on buildings or machinery) or give employment to my operatives." Here, then, we have the present condition of industrial affairs, and the proximate remedy for most of what is at present industrially unsatisfactory, simply outlined by an intelligent man, who, at the time of speaking, was not thinking of the tariff, and who afterward expressed himself as in opposition to free trade. In other words, the country has more commodities—agricultural and manufactured—of its own production than can be sold in existing available markets at a profit, or even at cost; and it has more capacity for producing them than can be kept steadily employed under existing circumstances.

To illustrate and demonstrate these assertions more specifically, let us consider first the condition of agriculture.

During the decade from 1870 to 1880, our population increased in a ratio of a little less than 30 per cent. During the same period our exports of agricultural commodities, which are a measure of our surplus production, increased as follows: Cereals, 214 per cent.; hog products, 1138 per cent.; beef, 433 per cent.; live cattle, 690 per cent.; dairy products, 182 per cent.; cotton, 96 per cent. And yet, great as is this surplus product, the whole tendency of things is to increase it still further. Thousands of acres of new grain lands are being annually added to our area of cultivation; improved methods of culture, increasing product and diminishing the necessity for manual labor, are being continually introduced; while less than one-sixth of our arable land has yet been brought under the plow. How is this surplus to be disposed of, as it must be, at a reasonable profit, in order to ensure reasonable prosperity to the great agricultural interest and to all the other interests—especially that of railroad transportation—which are collateral or dependent on it? A popular answer is, by enlarging the field of our other industries, especially that of manufacturing, through the fostering aid of Government and the protective system. "If we cannot go into the markets of the world," said Judge Foraker, one of the candidates last year for Governor of Ohio, "without being subjected to degrading competition, we will make ourselves independent of these markets by making markets of our own. Instead of sending our raw cotton across the ocean, to be there manufactured and sent back to us, we will have cotton-mills here. We will mine our own coal, develop our own minerals, manufacture our own iron and steel, build our own railroads with our own products, and thus have home markets and domestic commerce." But if the sphere of our manufacturing industries could be at once enlarged to an extent sufficient, as proposed, to furnish a market for all our surplus agricultural products, the problem confronting us would not be solved, but only changed by substituting "manufacturing" in place of "agricultural" surplus. The following data, furthermore, will afford some conception of the extent to which domestic manufacturing industry furnishes a present home market to the American agriculturist for his surplus, and of the enlargement of such industry that must be brought about in order to provide for his present entire surplus,—wheat being taken as the standard of cereal consump-

tion. The wheat crop of 1880 was, in round numbers, five hundred million (498,000,000) bushels; of which aggregate 312,000,000 were retained for home consumption (food, seed, and reserve), and 186,000,000 sent to foreign countries for a market. The great manufacturing States of the Union are the six New England States, with New York, New Jersey, Pennsylvania, Delaware, and Maryland. But these same States are also largely agricultural; and during 1880 they so far fed their own population with their own agricultural products as to require (on the assumption of an average consumption of five bushels of wheat per capita) only 34,585,667 bushels, out of the entire home consumption of 312,000,000 bushels, to make up any deficiency in respect to this staple.* To furnish a domestic market adequate to absorb the probable wheat surplus of the present year would therefore require an enlargement of our manufacturing enterprises to at least fivefold what they are at present. The idea of any such immediate enlargement being chimerical, it remains to consider the promise of the future; and here experience, the only guide for forming an opinion of what is to be, if the present fiscal policy of the country is to be continued, is most instructive and also most conclusive.

It is clear that there is no need whatever, at present, for any more furnaces or factories to supply any domestic or home demand; and that, if even the existing furnaces and factories are to be kept fully employed, and any construction of new ones entered upon, a larger market, or a market outside of the country, must in some way be obtained. Our exports at present are mainly agricultural; and although we boast of exporting some cotton goods to England, and some machinery and railroad equipments to Mexico and Australia, the aggregate of all such exports constitutes but an insignificant item of the foreign trade of the United States. In fact, our manufacturing industries, so far as their occupation of foreign markets is concerned, hold almost exactly the same position that they did twenty-three years ago. Thus in 1859-60 manufactured products constituted 17.7 per

* For 1880, Massachusetts produced 15,768 bushels of wheat, and consumed, over and above her product, 8,899,657; while Pennsylvania, consuming 19,462,405 bushels, required to purchase outside her own territory but 1,952,052 bushels. New York, with an annual consumption of 25,414,000 bushels, had a home supply of 11,587,766 bushels, and a deficiency, to be supplied outside her territory, of 13,826,589 bushels.

cent. of the total value of our exports of domestic merchandise. In 1869-70 this ratio was 13.4 per cent., while in 1879-80 it had further declined to 12.5 per cent. For 1882-3 the ratio was returned at 13.9 per cent., constituting a total of \$111,890,000 out of an aggregate valuation of all exports of \$804,223,000.

From this analysis of the situation, the following deductions would seem to be almost in the nature of axioms. First, there is no sufficient market for our surplus agricultural products except a foreign market, and in default of this, such surplus will either not be raised, or, if raised, will rot on the ground. And if any further evidence of national dependence upon these foreign markets for continued prosperity is needed, it is to be found in the circumstance that the partial interference of only two of the states of Europe with the imports into their territories of only one of our great agricultural products, pork, has been sufficient to alarm every interest of the great West, and excite a feeling of grievance sufficiently serious to occasion talk about national commercial retaliation. Second, the domestic demand for the products of our existing furnaces and factories is very far short of the capacity of such furnaces and factories to supply; and until larger and more extended markets are obtainable, domestic competition, while not preventing large sales (for a nation of fifty-six millions requires a large amount of commodities) will, nevertheless, inevitably continue as now to reduce profits to a minimum and greatly restrict the extension of the so-called manufacturing industries. Third, with restricted opportunities for labor and the profitable employment of capital, the continued addition to our population from natural increase or immigration will inevitably tend, through increased competition, to reduce the wages of labor, and promote social discontent and antagonisms between employers and employés.

The main cause, therefore, in the opinion of the writer, of our present industrial depression and business stagnation is our existing tariff and national commercial policy, which restricts our opportunity to sell or exchange what we have the capacity and desire to produce, by unnaturally increasing, through excessive taxation, the cost of all production, and by intentionally obstructing commerce with other countries. The existing tariff, it will not be denied, is a great restriction on imports. But it is impossible to place restrictions upon the imports of a country without at the same time limiting the markets for its

exports ; for all trade and commerce, in the practical business of life, is the interchange of products and services, and there can be no buying without selling, or selling without buying.

Other causes have undoubtedly come in and contributed to the present unsatisfactory condition of affairs ; but they are all subordinate and insignificant in comparison with the influence of the existing tariff. Excessive and unprofitable investments in railroad construction are frequently specified as one such disturbing agency, through consequent wide-spread losses and the transfer of capital from an active to a fixed and unavailable condition. But in our case, whatever has happened has as yet occasioned no scarcity of capital for every fairly promising investment ; and although holders of railway securities may have suffered losses, the railroads of the United States, through unprecedented reductions in freights, have never been such serviceable factors in the work of domestic production and exchange as at present. The national policy in regard to the coinage of silver is also regarded by many as a primary cause of business embarrassment and lack of confidence. But apart from apprehensions of what may be (and it is not to be denied that the effects of such apprehensions are serious), the evils of silver are as yet mainly prospective ; and to spend time in discussing how the instrumentalities of trade shall be improved, when the main trouble is lack of trade to employ such instrumentalities as we already have, seems as rational as for farmers to discuss what sort of plows they will use, when it is land to plow and not something to plow with that they most need.

To some, doubtless, the circumstance that a complaint of unprofitable industry and excessive competition in business is general at present in all commercial countries, may seem to constitute proof that the reference of the existing condition of affairs in the United States to our national fiscal policy is wholly unwarranted. But in reply it may be said that while undoubtedly there is an abnormal condition of business all over the world, and apparently a greater production of most commodities than are required to meet any current demand, the coincident commercial disturbances have been least in the countries that enjoy the freest commercial policy, as England, Belgium, and Switzerland, and greatest in those that have by legislation unnaturally stimulated production on the one hand and restricted markets on the other, as has been the case in the United States, France,

and Germany. The reaction of the excessive prosperity of 1881-2, which has convulsed the whole financial and industrial system of the United States, has in England occasioned but a ripple in comparison. Her mills are not idle; her workmen, as a general thing, have had steady employment, at steadily advancing wages; and the demand and consumption of all those commodities which most conduce to the good subsistence and comfort of a people were never so great in Great Britain as at present. The exports of British coal and British manufactures have, furthermore, continued to increase steadily in value every year since 1878, and for the month of May, 1884, were 11.6 per cent. greater than for the corresponding month of 1883, while the import of similar competing products into the country has not at the same time increased. While failures in the United States for the first six months of 1884 have been abnormally great, the number in Great Britain for the same period was only 2368, as compared with 6662 for the first six months of 1880. Besides, it is now very generally recognized that the business disturbances that have prevailed the world over during recent years, are due mainly to a process of re-adjustment to the new conditions consequent on the wonderful changes that, through invention and discovery, have recently taken place in the world's methods of doing its work of production and distribution; and that out of this re-adjustment, which is still going on and is very far from complete, the "law of the survival of the fittest" will assert itself as fully as it has been proved to do in the organic world. And it would not seem to require any argument to satisfy us that in this struggle, those nations that, having the greatest natural resources, most completely emancipate themselves from all restrictions on the free and intelligent employment of such resources, will prove themselves to be the fittest. But with such impedimenta as our existing fiscal and commercial policy now hang around the neck and clog the feet of our domestic industries, what chance has the United States for proving itself the fittest in this race for "international, commercial, and industrial supremacy"?

There is another point which, in connection with this subject, has thus far been almost entirely overlooked, but is eminently worthy of attention, more especially by all that portion of our community that has of late experienced enormous losses through unprofitable railroad investments. During 1882, there were over

11,500 miles of railway built in the United States. It matters not how many dollars the securities issued on this construction may nominally represent, this eleven thousand five hundred miles of railway added in 1882 to our mechanism of distribution, at the moderate estimate of \$20,000 a mile, really represents \$230,000,000 worth of actual food, fuel, clothing, shelter, iron, lumber, and other forms of wealth created by men's labor, converted into this form of capital. As thus generally stated, these figures convey but a faint idea of their magnitude; but some conception of their greatness may be obtained by comparison. Thus, to illustrate, \$230,000,000 is greater than the whole amount of capital invested in all the cotton-mills of the United States; greater than in all our woollen-mills; and equal to all the capital in all the iron-furnaces, forges, rolling-mills, and steel-works of the country. If applied to the construction of dwellings, it would suffice to supply a house worth one thousand dollars to two hundred and thirty thousand families. It is equal to the present valuation of all the buildings in the city of Boston, and is greater than the taxable value of all the property of several of the States. Twenty-five million dollars, invested annually, will suffice to supply all the additional cotton-mills, woollen-factories, iron-furnaces, and rolling-mills required to meet the demands of any annual increment of our population; while from six to ten times that amount is apparently needed to construct the five to ten thousand miles of railway that are now annually called for.

Whence comes this immense mass of capital, and why are its owners so eager to subscribe to every plausible scheme presented to them, in great part by persons whom experience has shown to be unworthy of public confidence? How happens it that there has been such a body of capital as could be drawn upon without difficulty by the promoters of such constructions as the "West Shore Hudson River," the "Nickel-plate," and other railroads, which were confessedly unnecessary, and not called for by any substantial business interests? The object of the owners of this invested capital was to obtain an income from it; the incentive to future gain was the motive that caused them to save it. This capital consists of the excess of cotton, grain, petroleum, and other commodities that we produce but cannot consume, even when every man, woman, and child in our country has enough. We export it because we do not need it, and the

proceeds come back to us in the form of money or other commodities, which are added to our wealth or abundance. By the aid of machinery that we have applied in the greatest measure to agriculture, to manufactures, and to distribution, our productive capacity has been so increased, that more capital is annually added to our stock than we can use judiciously within our own borders. Hence, the active competition of one owner with another has so reduced the rate of interest as almost to render the possession of capital a burden. Is this in the nature of things, or is there some purely artificial cause for the plethora? If our own common-sense reasoning did not supply us with an answer, a reference to Adam Smith would; for his great work, "*Wealth of Nations*," is throughout a demonstration that obstruction to imports or exports immediately acts to reduce the value of capital, and this is exactly what has happened to us as a nation. Our excessive tariff has shut us out in a great degree from the commerce of the world. We can neither own ships nor make use of them, and we have no investments, of any moment, in any foreign countries; but go where you will, you will find English capital employed, while English commerce, carrying English goods, reaches the remotest corners of the world.

With double the producing power of England, we have not half her opportunity to use our wealth. We are merely provincial; our commerce is dwarfed; our great merchants have disappeared; we have not sufficient nerve for our energy. Our capital is confined to too small a sphere; and it is mainly for this reason that the plausible and speculative railway promoter has been enabled to reap a rich harvest, to the detriment of thousands who had believed themselves sure in the possession of solid wealth. Money is wasted on useless railways, because the opportunity for other investments has been restricted by a high and so-called protective tariff, which has ceased to protect even the special industries on whose behalf it was imposed.

Tariff reform is, therefore, inevitable, because the necessities of the nation are going to compel it. If all existing leagues and clubs organized to promote it, and all its special individual advocates, should hereafter totally refrain from any action or speech, its advent would be none the less sure; because, although war or short crops in Europe may temporarily change the situation, industrial depression, business stagnation, and social discontent in the United States, as a rule, are going to continue

and increase, until the nation adopts a fiscal and commercial policy more liberal and better suited to the new condition of affairs. These views will not probably find acceptance with that large class who have been educated to believe that the remedy for every economic evil is a tax; but this class will in time learn that if a tariff, as is claimed, has really been instrumental in building up the colossal fabric of our manufacturing industry, its work is done. They will not probably be accepted by those who view the situation mainly from the railroad and stock-exchange stand-point; but this class, also, after some further experience, will learn that there will be no healthy, legitimate business on the stock exchange, unless the manufacturing interests of the country are prosperous; and that these interests will have no money for outside investments, until they can sell at a reasonable profit what they have the capacity and desire to produce.

DAVID A. WELLS.

"A tariff exclusively for revenue is an injustice to all the poor people in the land. What reason can you give to a man who has a dozen children and is poor why you should tax the mouths and backs of his family and himself to raise revenue for the support of the Government, rather than to raise it upon property, as the States and municipalities do, unless you can show to him that these duties are either levied upon luxuries which he does not use, or are so levied as to protect the industries by which he lives? Why should the Government raise its revenue upon his necessities and the needs of his family, rather than upon the property of the childless man of wealth—the Government, which alone stands between the rich man's possessions and the strong who would wrest them from him? No good reason can be given, unless you enhance his wages by as much as you take from him through this method of taxation. Protection does this and more."—(*Speech of Hon. S. L. Milliken, of Maine, April 30, 1884.*)

THE foregoing extract from the speech of an able protectionist Congressman affords a rare example of candor and willingness to look facts in the face. The same admission as to the inevitable effect of tariffs upon imported goods was made forty years ago by David L. Seymour, then a distinguished member of Congress from New York. It is a concession as to the wickedness of the whole tariff system, which the plain truth demands, but which is seldom made. Every tariff must, by its very nature increase the price of many articles consumed by

the poor as well as by the rich, and must inevitably lay burdens upon every man in proportion to the number of mouths that he has to feed and backs he has to clothe, without regard to his poverty and consequent inability to support taxation. The talk about collecting tariff revenue from luxuries only is idle and absurd. In this country, at least, it never was done; it never will be done; it never can be done. The fundamental proposition upon which every discussion of the subject must be based is, that a tariff-tax, whether paid directly to the Government or indirectly to the domestic producer, must and will increase the cost of living of all classes of the community, and will lay burdens on them in proportion to the amount they are obliged to spend, without the slightest regard to the amount of their accumulated wealth.

Taxes, it is universally admitted, should be borne in proportion to the amount of actual property owned by the tax-payer. There are differences of opinion as to whether all classes of property should be taxed alike; but there is no difference of opinion, we believe, as to the injustice of taxing a man who owns nothing as heavily as a man who owns much. It is certain, too, that taxes can be only paid out of savings. It is utterly impossible that any man should pay a tax out of money that he has already spent; although he can be forced to pay out of his savings a sum proportioned to what he has spent, instead of what he has saved. Every tariff taxes men in proportion to what they spend, and not what they save, because the tax is paid by the consumer only when he spends, and in proportion to what he spends. Now, the great mass of the community, whom we generally call the poor (because their incomes, even in this country, average much less than \$400 a year) could not, even with the utmost economy, help spending from two-thirds to three-fourths of their incomes, even if there were no tariff and no indirect taxation. But the wealthier classes, including all those whose incomes are from \$5000 upward, can live very comfortably without spending more than one-fourth of their incomes; and, if the same rule of stern necessity were applied to them that is applied to the great mass of people, and they were only allowed to spend \$300 a year in the support of themselves and their families, these classes would save nineteen-twentieths of their incomes. But the burden of taxation imposed by a tariff being the same in each case, while the savings out of which the

tax is paid are enormously greater among the rich than among the poor, the result is that the relative weight of taxation under this system is enormously more burdensome to the poor than it is to the rich. It is therefore clear, as Mr. Milliken and Mr. Seymour conceded, that any tariff is a monstrous injustice to the poor, unless it increases their income to an extent exceeding its burdens. The only question that needs to be discussed is, whether a protective tariff does raise or can raise the wages of ordinary workmen.

Mr. Milliken, like all other advocates of protection in America, calmly asserts, as an incontrovertible fact, that "protection does this and more." But the facts of history in this country directly contradict the assertion. Wages never have advanced as rapidly, even in nominal value, under highly protective tariffs as they have under very low tariffs, except during the war of 1861-65, which carried enormous numbers of workmen from their shops, and inflated the currency. Almost directly after the close of the war, even while the currency remained inflated, wages fell to such a point that, measured in gold, they were very little above what they had been before the war, and, measured in purchasing power, were very much below that figure. And for two years past, although the currency remains largely inflated, the average rate of wages in manufactures, mechanics, and mining, throughout the country, has been decidedly lower than in 1860, although the rate of so-called protection is now rarely less than twice, and often thrice, the amount afforded by the tariff of 1860. There has been a larger proportion of years of distress, short work, and low pay, during the existence of the present tariff, than there ever was under the low tariffs of 1846 and 1857. When the tariff was at its very highest water-mark, in 1868, Hon. John Covode, a distinguished Pennsylvania protectionist Congressman, publicly declared that American workmen were in deeper distress than ever before in the history of the country. Since then, with a tariff only slightly reduced in any protective feature, and in many respects actually increased, we have gone through still more distressing and disastrous periods, lasting from 1873 to 1878, and from 1882 to 1884, until to-day multitudes of protected American miners and mechanics are working for fifty to eighty cents a day, without steady employment even at those rates. The average rate of wages in American cotton-mills, in proportion to the number of hours

of work, is actually less than it is in England; and in many large branches of protected industry the rate of wages has fallen almost to the starvation-point. The statistics have been given repeatedly, and there is not room for them here.

Such being the facts, it is time to inquire what is the true theory that will fit these facts. Is this obvious and universal decline in wages and depression of the working classes in our country the natural result of protective tariffs, or have they nothing to do with it? The answer is very simple to those who will frame their theories with reference to facts. The universal protectionist theory is, that the policy of shutting out foreign manufactures from competition with our own must inevitably raise American wages, because it must increase the demand for American manufactures. Protectionists never stop to ask what kind of goods are shut out, and what cannot possibly be shut out by any tariff; they simply see that something foreign is shut out, and conclude that everything of American production must be in better demand. They argue that American manufacturers will make more profit when foreign goods are excluded, and, therefore, that American workmen will certainly receive better wages. But all these theories are the purest assumptions, not warranted by facts, and directly contrary to experience and reason.

In the first place, experience shows that the natural obstacles to the supply of finished manufactures from abroad are so great that, even if our legislative policy were reversed, and we sought to encourage such importations, we could not succeed. There never has been a time in the history of this country, for at least one hundred and fifty years, in which the great mass of finished manufactures were not made here. We will not stop now to show why this is so, because the fact is beyond all dispute, and is established by an overwhelming mass of evidence, running back to the year 1720. Statistics for the past sixty years are more explicit upon this point than for the earlier period; and they show that more than seven-eighths of all the articles that are now and have been for sixty years imported from abroad (excluding articles of food) consist of things that are used solely as materials for manufacture in some form; and this has continued to be the case, even under tariffs that imposed higher duties upon the materials than they did upon the finished manufactures. So great are the natural obstacles to the importation of clothing in its finished forms, of house furniture, of

houses themselves, and of most manufactured articles of family consumption, that it is practically impossible that they should be, to any large extent, supplied from abroad. We will mention but one example, that of iron, in which, during the past ten years, not so much as one-hundredth part of the whole importation has been received in a state fit for family use. It is therefore incontrovertible that the great burden of tariff taxation falls upon materials used in manufactures; and this burden the manufacturers must pass on to their customers.

What is the necessary result? Every tariff, and especially every protective tariff, making materials more expensive to the American manufacturer than to the European, the American is compelled to raise the price of his goods to meet this tax. The moment he does this his market shrinks, because it is a well-known law that there are ten persons who can afford to purchase an article for one dollar, against one who can afford to purchase it for two dollars. With every increase in price, therefore, the manufacturer finds fewer customers and makes fewer goods. But the necessity of making his prices suit the market compels him to be content with a smaller profit than he might have if his materials were untaxed. What, then, happens to his workmen? In the first place, he feels that he cannot afford to pay so high wages as he otherwise would, because his materials are made to cost more, while he cannot sell as many goods at the advanced price necessary to repay the tax. In the second place, the sale of his goods being restricted by their advance in price, he does not need so many workmen as he did before; since the number of workmen employed depends upon the number of goods made, and the number of goods made depends upon the number that can be sold. A protective tariff, therefore, cuts wages at both ends. Increasing the price of the manufacturer's materials disposes his mind to cut down wages to make amends; and compelling him to raise the price of his goods makes it impossible for him to manufacture so many goods, and absurd for him to employ the same number of workmen that he would if not interfered with. It will be said, in reply, that the benefit of the tariff counterbalances all this, because it shuts out foreign finished goods as well as materials; and that the manufacturer will increase his sales because foreign goods cannot compete with him. But we have pointed out that the experience of one hundred and fifty years shows that, under any tariff or under no

tariff, the great mass of finished goods are and would be made here. A protective tariff does not shut out any important amount of foreign goods from competition with the manufacturers of finished articles; because scarcely any such goods ever did or could come from abroad. The effect of a tariff, therefore, upon the mass of absolutely completed manufactures is necessarily injurious to the manufacturer and disastrous to his workmen.

A curious delusion prevails in many minds to the effect that, if manufacturers are only secured large profits on their sales, they will divide liberally with their workmen, in the shape of increased wages. But large profits mean high prices, and high prices mean relatively small sales. A manufacturer who is guaranteed two dollars profit on each article that he sells will be content with selling a much smaller number of articles than he would be if he could make only one dollar on each. But the effect of a guaranty of large profits on small sales is naturally to induce him to employ a small number of workmen; whereas, if his profits depended upon the number of articles manufactured, rather than upon the amount of profit on each, he would be driven to increase the number of his workmen, in order to secure to himself the gross amount of profit on which his mind is fixed. The absurdity of supposing that wages must rise with every increase in profits is so transparent as to be beyond argument. If you increase the fees of a lawyer for the same amount of work, from \$5000 a year to \$10,000, does anybody dream that he instantly doubles the salaries of his clerks? If a builder offers to put up a house for \$10,000, and you generously give him \$20,000, do you imagine that he divides the extra profit among his masons and carpenters? Why should a manufacturer be expected to be more liberal? The result of all these considerations may be summed up thus:

First. Every tariff necessarily robs the poor, by taxing them ten or twenty times as heavily, in proportion to their means, as the rich.

Second. Such a system can be justified only on the theory that a tariff so framed as to prevent revenue by shutting out foreign goods will increase the profits of home manufacturers, and thus induce them generously to increase wages.

Third. The actual effect of every tariff is to increase the cost of production, to restrict its amount, and to reduce the demand for workmen, consequently reducing their wages.

Fourth. The more highly protective the tariff is made, the more rapidly will it restrict the employment of workmen, and the more surely will it cut down their wages.

Fifth. Free trade, on the contrary, by making materials cheaper, would enable manufacturers to pay higher wages, without loss of profits; and, by compelling them to rely for their profit upon the amount of their production, instead of the monopoly of a narrow market, would compel them to employ more workmen, and therefore to pay higher wages.

Sixth. The uniform experience of this country shows that these results have come to pass. The average advance in wages has always been far greater under low tariffs than under high ones; while to-day, after twenty-three years of high protection, wages in the protected industries are much lower, on the average, than they were under the non-protective tariff of 1860.

THOMAS G. SHEARMAN.

It is a well-known law of business that the consumption of an article increases as the cost of the article decreases. It is also a well-known law in manufactures that a largely increased manufacture of an article, in the manufacturing of which there is sharp competition, is immediately followed by a great decrease in the actual cost to manufacture. Increased consumption and decreased cost of production act and react upon each other, producing results previously deemed unattainable. A comparatively small decrease in the cost of an article has often, in a short time, doubled the demand and consumption in this country, giving vastly increased employment in its manufacture and calling forth business energy in its sale and use. No legislation should be allowed to bolster up unnaturally high prices, or to stand in the way of that free and wholesome competition that not only brings low prices of merchandise to the whole people, but stimulates the energy and inventive faculties of the producers to new improvements and inventions, and to more economical and better methods. Free competition, whether home or foreign, sharpens the wits and increases the wisdom, ability, and wealth, not only of those actually engaged in the peaceful strife, but of the whole country.

No people relieved of competition in their manufactures and commerce could attain or hold a high position in those branches of employment, and no people not ranking fairly well in those branches could rank high as a nation. Fortunate it is for the people of the United States that free trade has been the law and practice between the different States, as the competition in manufactures and commerce resulting from that free trade has roused the energy, sharpened the wits, and broadened the minds not only of the business man, but of the whole people. The United States has been, and still is, an entirely free-trade country so far as relates to imports and exports between the States, and to that free trade we should give credit for the growth and expansion of the business of the country to its present importance, for the income to all classes that has been the means of adding so much to the welfare and happiness of the people and has spread knowledge among them so universally. The high condition of our mechanic arts, and the immensity of our internal commerce, are due to free trade, and not to high tariffs. Without this freedom from tariffs between the States, our country would have been a collection of comparatively weak States, with armed customs-officers lining the borders. A desire for the extension of the limits of free trade is the fundamental motive of the almost universal craving for expansion of territory by annexation and of civilization by new settlements.

The protection theory is based upon the supposed necessity of protecting our labor against the pauper labor of other countries—a theory based upon another false theory that underpaid and underfed labor is more profitable to the employer than well-paid, well-fed, and intelligent labor. The people of the United States need not, on that account, fear free trade. The continental countries of Europe, with their low-paid and underfed labor, continue the high-tariff system ostensibly to protect against the comparatively high-paid labor of England, but without success; for well-paid means satisfied, energetic, intelligent labor, and it will overrun cheap labor whenever they are brought into contest; and, therefore, British free-trade-made merchandise sells all over Europe in spite of protective tariffs.

By reason of the immensity of this country, with its cheap and fertile lands, its wealth of forests and mines, with means of steam-power and water-power without limit, and with an intelligent and vigorous population descended from, and made up of,

the more energetic of the world's best nationalities, the United States should be the leading manufacturing and commercial country of the world. Capital is abundant and cheap, although shy of manufacturing employments because of the fluctuations and uncertainties of a manufacturing business based on a protective tariff that substantially confines it to the necessities of one country for a customer. With no burdens or unnecessary restrictions upon agriculture, manufactures, and commerce, our ships would cover the oceans, and the products of our factories, as well as of our soil, would share largely in supplying the markets of the world. We should receive in return such articles from all other countries as we cannot profitably produce here, and that is a commerce that is mutually advantageous. Were our resources, intelligence, and activity relieved of the burdens of a high tariff, we need fear no competition except in the production of articles that we ought not to attempt to produce, by reason of the unsuitableness of our soil or climate or our remoteness from the raw materials.

Each nation, and the individual men of each nation, should be free from Government direction, and be allowed to be their own judges as to what they can most advantageously produce or manufacture, whether circumstances are favorable for successful competition with foreign makers, and whether they have the necessary knowledge and skill to compete successfully with others especially well situated. What our people cannot produce or manufacture to good advantage should be purchased, and be paid for in articles they can produce or manufacture to advantage. A division of labor is as desirable among peoples as among individuals. No family, even, can profitably produce every article it consumes, but must sell and buy; and so with nations. It is folly for the United States to try to produce every article it needs; but the manufacturers should be allowed the privilege of getting their raw materials at as low prices as the most favored, and free of duty, or their productions cannot be sold abroad, nor can they be sold at home except at prices burdensome to the consumer.

Under free trade with foreign nations that would bring free trade in raw materials, the increased home demand for manufactured goods would require immensely increased manufactures, and consequently greater demand for labor. The great increase in manufactures, and free competition, would promote discoveries

of new and better methods, and still lower costs for better goods would follow, without reducing the wages of labor. Comparatively few branches of manufacture in this country are now unable to compete in neutral markets with the manufactures of Europe, for any reason but the higher cost of raw materials. This is shown by the fact that the more labor expended in the manufacture and finish of an article, or, in other words, the farther advanced from the condition of raw materials the article is, the more readily it can be exported. Labor in this country, when measured by what it accomplishes, is the cheapest labor in the world, although the day's wages are larger and the wage-earner receives the highest reward here. The number of persons employed in manufacturing and mining in this country is insignificant when compared with the numbers employed in agricultural and other pursuits; and the factory and mining employés' wages depend not upon the so-called "protection to American labor," but upon the inducements and earnings of farming and farm labor, the price of the products of which is made in the foreign countries that take the surplus. The employing manufacturers and miners, however much they may be protected by high tariff, do not carry on their respective branches of business for the sake of advancing or keeping up the price of labor, but for their own profit. They pay for their labor not one cent more than will induce it to leave the farms or keep it from going to the farms. The more prosperous farming is, the higher farm labor is, and the higher the factory or mining operatives' wages will be. Surely, it is for the interest of the mining or factory operatives to have the farming interests in a prosperous condition and relieved of the burdens of high-tariff prices on everything they consume, that the farming interest may be able not only to pay higher wages, but to consume more of manufactured goods. When mining and factory operatives become assured of the fact that a Government protective tariff not only does not bring them higher wages, but actually reduces the profits of farming and farm-laborers' wages, and their own in proportion; increases the cost of their own living; and, in addition, protects their employers, in their associations and combinations, in the limiting of production through stoppages, lock-outs, and intentionally produced strikes; they will vote with the political party, whatever may be its name, that is in favor of an early adoption of the policy of free trade. And whenever

the producers of the great articles of now highly "protected" raw materials accept that policy, they will see that an immensely increased and steady demand for the things they have to sell, with lower cost of production, brings them a higher and more permanent condition of prosperity than they have ever seen.

With the inflow of foreign skilled and unskilled labor, added to our native labor, which is constantly increasing and becoming more productive with our increased and increasing machinery and better methods and processes of manufacture, foreign markets should be opened to us, and would be by free trade. Only the low costs, based on free-trade raw materials, will do this to any considerable extent. Any approach to free trade, however short the steps may be, should be welcomed by all. It may be well that timidity and ignorance under the name of conservatism, and narrow selfishness under the cloak of patriotism, will prevent the progress from being so rapid as to create alarm by reducing values too fast; but the present period of low prices is a peculiarly favorable time for a long step toward free trade. No article is entitled to a higher tariff for protection than any other; or, in other words, the people should not be compelled by the Government to pay to the producer of any one article a greater percentage of extortion than is paid on any other. In all cases where one article has a higher rate of tariff than another, either no attempt to produce the higher-rate article should ever have been attempted in this country, or there was improper and unholy scheming by, and favoritism to, the producers or manufacturers of it. Or, to put it more mildly, the producers or manufacturers of the low-tariff article neglected their own interests in not also getting a monopoly tariff.

Nature has given the coarser raw materials a large percentage of protection in the form of freight from the foreign country. Freight on iron ore is one hundred per cent.; on pig-iron it varies from ten to twenty-five per cent. And the country pays, in addition, a price for all the iron it uses that is nearly double the price in England, on account of a tariff equal to about sixty-six and two-thirds per cent., nearly all of which goes to the American producer, but none to his employés, and scarcely anything to the support of Government.

In order to oppress the great body of the people as little as possible, and logically and honestly carry out the protection policy of supporting the Government by duties on imports, so

that the alleged protection shall be impartial to the employés in all the various branches of industry that produce the protected articles, the tariff should be no higher than is necessary to support the Government economically, and should be the same on all articles,—that is, the same percentage on the value at the last place of export. But in making up the account of duties at the custom-house, to be paid by the importer, the freight on the imports, from the last place of export, should be deducted, and the remainder only should be paid to the Government as duties. This plan, in its operation, would make protection impartial, freight from the place of exportation being a part of the protection. Surely, under a tariff law claimed to be framed for the purpose of protecting labor, the protection on coarse, raw materials, including freight protection, should not be greater than on manufactured articles, in condition for use, made from such raw materials. By the skillful handling of Congressional committees, metals, such as iron and steel in all forms, copper, lead, etc., and wool (raw materials) now have nearly double the protective tariff that the articles manufactured from them have, and this under a tariff falsely called protective to American industry. The producers of the raw materials hold the Government to this policy with a narrow selfishness that is becoming intolerable to the people, who will soon learn what a burden labor is carrying. Monopolies never yield except on compulsion.

J. B. SARGENT.

WE have now had twenty-three years' experience of the protective system. The advocates of that system hold that there is some adjustment of taxes by which the industry of a country can be forced into a better organization than that into which it would grow by the voluntary coöperation of free citizens. They have no tests for finding out what that adjustment is, and they can give the legislator no rules for applying their theory. It is a purely arbitrary dogma, and the only method of applying it is by constant trial and failure. The legislator has no knowledge of the laws of the force he is using, of the mode in which it will operate, of the proportion of its effects, of its remoter consequences, or of its incidental combinations and relations. He never

obtains any subsequent tests of the result of his work. The protectionists themselves say of their scheme that it is not quite right, that "inequalities need to be remedied," that it needs "re-adjustment," that there are "snakes" in it. If any one proposes to reform it, they complain of tariff-tinkering, but they are tinkering it all the time. They propose to raise taxes at any time, as, for instance, that on wool, but denounce a proposition to lower taxes as tending to "disturb industry." They say that they want protection only for a time, but refuse to define the time. It is always "not yet." They refuse to be bound by the results of their own experiment, but have a special plea to bar every rational inference, undisturbed by the fact that their special pleas, when taken two and two, destroy each other. It is plain that the whole theory is impracticable. It is like trying to invent perpetual motion. It is always at the point where it will not yet quite work.

For after twenty-three years of experiment it is fair to examine results. Not a single result that was promised has come to pass. The industries of the country have been set at war with one another, and consequently have organized as rings and monopolies, whenever possible, so as to plunder the industries that cannot be formed into rings (agriculture, etc.). We have had no steady growth and prosperity, no immunity from industrial ills, but rather a constant succession of heats and chills, industrial convulsions, strikes, combinations, suspensions of industry, and irritation between classes. The protectionists, it is true, claim that they have produced the prosperity that the country has had. They take credit for the bounty of nature to the inhabitants of North America. They claim to have produced the happiness due to the bounty of nature, because they have not altogether destroyed it. They claim that they have given to the farmer the part of his produce that they have not taken away from him, and that they have given to the laborer the part of his earnings that they have allowed him to keep. It is manifestly impossible to tell what protection has done for the country, unless one is able to form some judgment of what our state would have been to-day, if, for the past twenty years, the American people had been allowed, man by man, to earn what they could, and keep what they earned. That the accumulation of capital here would have been far greater than it is; that it would have been more equally distributed; that population would have been distrib-

uted where it would have been industrially more secure; that laborers would have been more steadily and securely gaining capital, and would have been more contented; that the organization of industry would have been more free and fair; and that the Government would have been more sound and pure, are convictions that will be forced upon any candid student of the laws of economic forces and social development.

In the twenty-three years during which we have been trying the experiment of protection, the arts and sciences have made greater progress than in any century before. We have nearly doubled our population. The acreage of improved land has increased in the ratio of 4 to 7. The capital in manufactures has increased in the ratio of 3 to 7. The number of miles of railroad in operation has been multiplied by five. Our exports and imports of merchandise have increased from \$687,000,000 to \$1,547,000,000; for we produce a surplus of wheat, cotton, tobacco, provisions, and petroleum, that we must export, and when we export it we get something for it, in spite of theories that make commerce folly. Our system of taxation for protection, with incidental revenue, has carried our revenue from customs from \$53,000,000 in 1860 to \$216,000,000 in 1872. It reacted to \$130,000,000 in 1878, and rose again to \$220,000,000 in 1882. In 1866, we collected \$309,000,000 by internal taxes. This was reduced in 1874 to \$102,000,000; but, in 1883, in spite of abolition and reduction of taxes, it was nearly \$145,000,000. In the same period a great number and variety of new industries have been opened; others have been entirely transformed in process and organization; others have been reconstructed several times over by new inventions, or by changes in fashion, or by the adaptation of new materials. Ocean transportation has been completely revolutionized, and international communication has been established by ocean telegraph cables. Within the same period, banking facilities in this country, and between this and foreign countries, have undergone great improvement. Finally, it is not to be overlooked that a new generation has grown up under a common-school system far superior to that of any earlier period, and that free labor has taken the place of slave labor throughout the Southern States.

Over all this unprecedented natural and social growth, the war-tariff taxes have been maintained, with few unessential modifications, as a rigid, cast-iron frame-work to which industry

under all its expansions must conform. The modifications that have been made in the system have been by way of subdivision and refinement of classification. These changes have been pushed to the most ridiculous extreme, but the general scheme and adjustment of the tariff is what it was twenty years ago. But it must be plainly evident that, if Congress could once hit upon some beneficial adjustment of tariff taxes, it is impossible that such an adjustment could stand good for a month in the face of the growth and expansion of the country. When a tariff system is laid upon a country that has had a free system, the new system gives advantages to its beneficiaries at the expense of other domestic industries, while the change is going on, or until the effect is distributed. When the effect is once distributed throughout the industrial system, the device is of no benefit to any one, but is a burden upon all. Such is our position now. The system runs down into ruts. Masters of industry expend their ingenuity to conform to, or defeat, the unfavorable operation of the system in its details, and come to believe in the system with a purely superstitious faith. They cannot see a point in which it helps them, but they dare not trust themselves out of it. They know that they give and take under it. They have no means at all of finding out whether individuals or industries give more than they get, while it is a mathematical certainty that some must give; all cannot win. Undoubtedly some are now far worse off than they would be under absolute free trade. They do not see what the tariff robs them of in the way of chances. All the new openings of industry and commerce that would present themselves under freedom are unknown and unheeded. It is safe to say that we are turning our backs on an industrial empire, while our protectionists are painfully constructing their systems for log-rolling with one another for the plunder of the agriculturists at home. They tell us about the comparative advantage of home and foreign trade as if there were any such distinction, or as if we must give up one kind of trade to get the other.

The protective system is sure to be disintegrated and swept away in time by the advance of improvements in science and art, just as passports and other devices of police government were destroyed. But it belongs to the character of intelligent men to recognize a mistake, and to draw the correct conclusion from an experiment; and, if we do this, the question is, how

we are to extricate ourselves, with as little loss as possible, from the situation in which we have placed ourselves. At the present moment, the system is producing for us consequences of the utmost moment, both economically and politically. Since we cannot, as above shown, cut off foreign commerce, we obtain an excessive revenue. We find a national surplus a far greater curse than a national debt. Lest the taxes—which are paid to the protective interests—should be reduced as a means of lowering the revenue, the protectionists propose all sorts of schemes for squandering the surplus, and we are invited to collect taxes from ourselves to swell a great fund for corrupting both our Government and ourselves. Certainly it is an astounding theory of wealth that cannot be carried out in practice without taking citizens' earnings away from them and then giving them back again, in order to make them rich; but men whose minds have once closed with a good grip on a dogma never give it up on account of facts of experience, or on account of the absurdities into which it carries them,—least of all, if they think it favorable to their interests.

The task of taking down such a tariff system as we now have is, no doubt, difficult, and, under our political system, it is not to be expected that that task will be undertaken intelligently and carried through methodically. It is easy enough to find fault with any plan of horizontal reduction, or the correction of the grossest abuses. The most determined free trader would be forced to confess candidly that any project of reform that might be proposed would probably involve temporary inconvenience to somebody. If any one knows of any abuse that has ever been reformed without hurting some vested interest, or of any mistake or folly that has ever been corrected by man or nation without pain and loss, or even of any improvement in machinery, process, routine, or otherwise, without inconvenience to somebody, he has an opportunity to bring forward something hitherto unknown. What then? Are we never to reform an abuse or correct an error? There is, however, no reason to believe that the complete abolition of the protective system would cost as much loss and inconvenience as was endured, partly on account of the tariff, in 1883. So long as the system lasts in its present condition, as a device that has exhausted itself, it will produce heats and chills of prosperity and disaster. Wage-receivers need first of all regularity and steadiness of employment. Lower

wages with security are valued above higher wages and uncertainty by every intelligent wage-receiver. With the former it is possible to accumulate capital far more rapidly than with the latter. But protective taxes lower wages, and the abolition of taxes would both raise wages in rate and give regularity and security. Hence, the present system, producing sudden convulsions, quarrels, strikes, and suspensions of industry, is a great evil, with no prospect of cure, and it is forcing this generation to waste its life within reach of plenty. Therefore, since the evil will not cure itself, it is for the interest of all to make the necessary effort to do away with it.

It is generally assumed that it will be wise to do away with the system gradually and slowly. It is said that industries would receive a shock or be destroyed by any sudden action. No reason for these assumptions has ever been given, and they are not based on any facts or sound reasoning. On the contrary, delay in the process of reform would produce evils that would be avoided if the change could all be made in a day. The period of transition is the one of hardship, so far as there would be any hardship. Therefore it is wise policy to shorten the period of transition as much as possible. If Congress takes down one part of the system and leaves another part, it will create new relations between interests, which may be exceedingly disadvantageous for some of them. If it cuts down the rates by a horizontal reduction, the result will not be uniform for all interests, but quite the contrary. If, then, this process is repeated later, and so on from time to time, there will be a prolongation of uncertainty, and at every stage harm may be produced to different interests, which would not be produced at all by a single and complete change after reasonable notice. If, however, it is necessary, as it probably is, to do what is less wise but more in conformity with prejudice, the reform of the system should begin with the abolition of taxes on primary products of the soil, and advance by rapid stages to reduce and abolish taxes on the more advanced products. Not more than one period of production for different classes of products should intervene between these stages. There should be an immediate and very great increase of the free list by the transfer to it of those commodities from which the revenue is small, and there should be an immediate reduction of those taxes that are excessive, which never had any justification at all, and which were put in by an

abuse of political power to satisfy pure greed. There are a great number of such items in the tariff, and they are a scandal and a disgrace to democratic-republican self-government.

The present tariff system is a pure hindrance to the wealth and prosperity of the country. So fast as it is reformed, there will ensue, not harm for anybody, but a new spring of prosperity for everybody. There are scores of profitable industries that cannot now be carried on in this country on account of the tariff, but would spring into existence as soon as it was removed. New conditions for industry would be brought about by the abolition of the taxes, and those who dread the change the most would find themselves far better off. People believe that all things else would remain as now, but prices would be greatly reduced. This is a very childish error. The whole market would be re-adjusted to new conditions, and before any man had time to realize that he was going to be hurt, he would find that things had so altered in his other relations that he was not hurt at all. The guarantee for these anticipations is in a correct understanding of the industrial organization of human society, and in a correct understanding of the laws of production and commerce.

W. G. SUMNER.